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SUBJECT: ITALIAN FOREIGN ASSISTANCE IN 2007: AFRICA AND  
WOMEN'S ISSUES EMPHASIZED, MODEST ASSISTANCE TO THE MID-EAST

REF: 06 ROME 1870

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#### SUMMARY

¶1. (SBU) Italy's 2007 budget included 1.88 billion euros (0.12 percent of GDP) for foreign assistance, a slight increase from 1.81 billion euros in 2006. The Ministries of Foreign Affairs and Finance disburse most assistance funding. MFA's Office of Development Cooperation (ODC) -- Italy's USAID equivalent -- saw its 2007 budget increase to 607 million euros, primarily to pay UN back dues, the funding for which the Berlusconi government had drastically cut in 2006. ODC's stated priorities are to promote development in Africa and women's issues.

¶2. (SBU) On March 27, Parliament approved an additional 75.5 million euros of foreign assistance for Afghanistan, Lebanon, and Sudan. While ODC leadership has said its development work in Iraq is "finished," Parliament allocated 30 million euros for Iraqi reconstruction assistance on March 27. Italy and Iraq also signed in January 2007 a cooperation treaty providing a credit line of 400 million euros for infrastructure development. The MFA Iraq Task Force, which currently oversees Iraqi development assistance, will turn over the Iraq aid portfolio to ODC January 2008. End summary.

#### GOI FOREIGN ASSISTANCE OVERVIEW

¶3. (SBU) Italy's Parliament approved 1.88 billion euros for foreign assistance in 2007 (0.12 percent of GDP -- or 0.13 percent of GDP, when we include the additional 105.5 million euros Parliament approved March 27), slightly higher than the 2006 amount of 1.81 billion euros. This is the first time since 1992 that the GOI has not decreased foreign assistance from the previous year. (Note: In 1992, then-PM Giuliano Amato drastically cut MFA's foreign assistance budget,

because of allegations of ODC corruption and mismanagement.) Nonetheless, Italy's foreign assistance funding is still well below the 2007 EU member state commitment of 0.33 percent of GDP and the 2009 EU member state commitment of 0.7 percent of GDP.

¶4. (U) Parliament directed most 2007 foreign assistance funding to the Ministries of Foreign Affairs (MFA) and Finance (MOF), at 1.011 billion euros and 501 million euros, respectively.

GOI Ministries' Foreign Assistance  
Budgets 2006-2007 (millions of euro)

	FY 2006	FY 2007	Chg. Pct	Chg. Value
Foreign Affairs	862	1011	17	149
Finance	597	501	-16	-96
Defense	140	154	10	14
Environment	96	97	0.01	1
Economic Development	67	67	0	0
Health	32	32	0	0
Interior	11	9	-18	-2
Communications	5	6	.2	1
University/Research	NA	3	NA	NA
Agriculture	0.5	0.9	80	0.4
Justice	0.6	0.6	0	0

¶5. (SBU) Of the over one billion euro MFA funding, Parliament allocated 607 million euros to ODC for development assistance. (Comment: The remaining MFA "foreign assistance" budget of over 400 million euros is to maintain diplomatic missions abroad and cover costs associated with foreign assistance administration.) The foreign assistance

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budgets of the Ministries of Defense, Finance, Environment, and Health are largely channeled to international organizations, e.g., World Bank, NATO, and WHO.

PROTEZIONE CIVILE

¶6. (U) In addition to the 1.88 billion euros for 2007, Parliament budgeted 1.5 billion euros to Protezione Civile. (Note: Besides managing domestic disaster relief, Protezione Civile provides emergency assistance abroad.) Protezione Civile is under the mandate of the Prime Minister's office and has a large operating budget and some foreign disaster assistance funding. Once Parliament declares an emergency, however, Parliament empowers Protezione Civile to ask all government ministries for resources.

FOREIGN ASSISTANCE FROM THE REGIONS

¶7. (U) Italy's twenty regions also provide foreign assistance, though according to MFA contacts, the total amount (around several million euros per year) is "tiny," compared to the GOI's national foreign assistance budget. Italy's regions are required by law to inform the MFA and MOF of any international assistance activity they conduct with foreign governments. While regions can carry out foreign assistance programs independently, regions often coordinate with the MFA.

MFA FOREIGN ASSISTANCE PRIORITIES

¶8. (SBU) MFA's Office of Development Cooperation (ODC) -- Italy's equivalent to USAID -- saw its 2007 budget increase to 607 million euros over 499 million euros in 2006. ODC Director General Alain Economides said March 14 that Africa and women's issues are MFA foreign assistance priorities

under PM Prodi's government. (Note: ODC priorities had focused on development assistance in Mediterranean countries the past two decades.)

¶9. (SBU) MFA Deputy Foreign Minister Patrizia Sentinelli recently confirmed ODC priorities before a parliamentary committee on foreign affairs. (Note: Sentinelli, a leftist parliamentarian, has had competence for ODC's portfolio since summer 2006.) Sentinelli explained that programs in agriculture, the environment, and health would be the primary means to assist Africa and women. Additionally, she said, ODC will devote 50 percent of its 2007 bilateral assistance budget to promoting development in Africa.

¶10. (SBU) Fabrizio Nicoletti, ODC Budget Director, provided us a breakdown of ODC's 607 million euro budget for 2007 as follows (figures in millions of euro):

Multilateral assistance (e.g., UN and EU) = 280  
Bilateral assistance = 107  
Assistance to NGOs = 100  
Assistance to NGOs for admin costs = 56  
ODC admin costs = 44  
Emergency assistance/other = 20

¶11. (SBU) Nicoletti noted that the 2007 budget increase is largely to pay UN back dues, which ODC categorizes as "multilateral assistance," the funding for which the Berlusconi government had drastically cut by 230 million euro in 2006.

¶12. (SBU) Nicoletti also explained that ODC considers its development work in Iraq "finished" with the pullout of Italian troops and has no 2007 funds budgeted for Iraq. He explained that current ODC view is that Iraq is "rich" (with oil) and did not need development assistance. (Note: MFA's

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Iraq Task Force currently handles Iraq development assistance. Task Force members informed us they will turn over the Iraq aid portfolio to ODC January 2008. End note.)

¶13. (SBU) Nicoletti also reported that ODC was "optimistic" Parliament would soon debate an additional 260 million euros for the Global Fund to Fight AIDS, Tuberculosis, and Malaria. (Note: These funds will cover previous years' pledges to the Global Fund that the GOI did not honor.)

IRAQ, LEBANON, AFGHANISTAN, AND SUDAN  
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¶14. (SBU) Subsequent to Parliament approving the GOI 2007 budget, including foreign assistance, in December 2006, Parliament approved March 27 an additional 75.5 million euros of foreign assistance for Afghanistan (40 million), Lebanon (30 million), and Sudan (5.5 million -- specifically, for Darfur). Parliament also allocated 30 million euros for Iraq to continue Italy's "humanitarian, stabilization, and reconstruction mission," to be allocated and disbursed by the Italian Embassy in Baghdad. Additionally, Italy and Iraq signed in January 2007, a bilateral "Friendship, Partnership, and Cooperation" treaty providing Iraq 400 million euros in credit assistance over the next three years to develop its infrastructure.

COMMENT  
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¶15. (SBU) Italy's increase in its 2007 foreign assistance funding is encouraging, although GOI intentions on Iraq foreign assistance over the next few years are not clear. On the one hand, Deputy FM Sentinelli has declared that all ODC development assistance in Iraq is finished (reftel). Should she continue to set ODC policy when ODC inherits the Iraq foreign assistance portfolio from the Iraq Task Force in 2008, assistance to Iraq may suffer. On the other hand,

Parliament's recent approval of some 30 million euros of Iraq foreign assistance suggests Parliament's continuing interest in Iraqi development and reconstruction. End comment.

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